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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Labour Market

Steady outlook despite headwinds ahead

- The unemployment rate held at 2.9% in March, in line with still-firm domestic activity.
- Resilient domestic demand and sustained global demand for the E&E segment should continue to anchor labour market resilience.
- In the near term, continued frontloading activities should help stabilise business operations and provide some support to overall employment.
- That said, downside risks to employment remain, as prolonged supply disruptions could weigh on businesses, particularly SMEs.
- We expect labour market conditions to remain broadly resilient, with the unemployment rate averaging 3.0% in 2026 (2025: 3.0%).

Labour market remains resilient in March

Malaysia's labour market remained stable in March, with the unemployment rate holding at an 11-year low of 2.9% for the fifth consecutive month, in line with recent indications of still-firm domestic activity. The number of unemployed edged up to 509.0k (Feb: 506.8k), while active jobseekers increased slightly to 405.8k (Feb: 404.7k).

Employment growth held steady at +0.1% MoM (Feb: +0.1%), driven by continued hiring in the services sector, particularly "accommodation & food and beverage services", "information & communication" and "transportation & storage". Employment in manufacturing, construction and agriculture also posted gains, although the mining continued to record a slight decline.

By employment status, the number of employers (+0.2% MoM; Feb: +0.4%), employees (+0.04%; Feb: +0.1%) and self-employed persons (+0.3%; Feb: +0.3%) all continued to rise, albeit at a more moderate pace. The labour force expanded by +0.1% to 17.31m (Feb: 17.30m), while the labour force participation rate was unchanged at 70.9%.

Fundamentals remain intact

Stable labour market conditions continue to reflect resilience despite the onset of the Middle East conflict in March. We expect the services sector to continue anchoring overall hiring momentum, supported by still-firm household spending, continued policy support and steady investment activity. Meanwhile, manufacturing employment, particularly within the E&E segment, should continue to benefit from sustained global semiconductor demand amid ongoing AI expansion. The E&E accounts for c.27% of domestic manufacturing output.

Near-term stability but rising downside risks

Despite rising geopolitical tensions and supply chain disruptions, hiring prospects in the manufacturing sector appear broadly intact for now. The latest Malaysia manufacturing PMI for April showed firms stepping up stockpiling activities to manage supply risks, while manufacturers also increased staffing levels to support higher production requirements. In the near term, continued frontloading activities should help stabilise business operations and provide some support to overall employment.

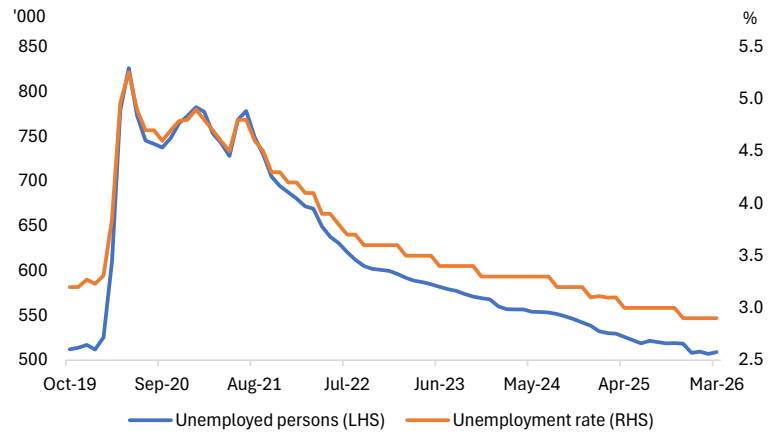
That said, risks are tilted towards softer hiring momentum should the conflict persist for an extended period. Worsening supply disruptions, alongside rising logistics and raw material costs, could increasingly weigh on businesses, particularly SMEs. In the near term, firms may respond through reduced overtime, shorter working hours and hiring freezes. In a more adverse scenario, prolonged disruptions could eventually lead to permanent workforce reduction, although we see limited risk of broad-based layoffs at this juncture.

Stable outlook ahead

Overall, labour market conditions should remain broadly resilient through 2026, barring a prolonged escalation in geopolitical tensions. We expect the **unemployment rate to average**

3.0% in 2026 (2025: 3.0%). Against this backdrop of a still-tight labour market, we expect BNM to **keep the OPR at 2.75%**.

Figure 1: Unemployment rate held steady at 2.9% in March



Source: Department of Statistics, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
